

A meeting of the Federal Reserve Board was held in the office of the Governor on Friday, May 3, 1929 at 11:50 a.m.

PRESENT: Vice Governor Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Honorable Newton D. Baker
Mr. Wyatt, General Counsel
Mr. Smead, Chief, Division of Bank
Operations.

Mr. Baker stated that he has discussed with Mr. Wyatt the opinion rendered in his memorandum of March 7 on the subject of the power of the Board to enforce the principles regarding the proper use of the credit facilities of the Federal Reserve System laid down in the Board's letter of February 2nd and thereafter to all Federal Reserve banks.

He stated that he concurs entirely with Mr. Wyatt on the question of the powers of the Board. That when the Federal Reserve Act was constructed, the intention of Congress, whether expressed in language or to be read by necessary inference, was to equip the Federal Reserve Board, a public body, rather than the Federal Reserve banks which are in a sense private bodies, with the power to protect and conserve the national interest from a financial point of view; that whatever the Board, in the exercise of sound discretion, may determine to be necessary to accomplish that purpose, in his opinion, the courts will sustain as within its duty. That is to say, of course, any action which the Board may take along lines fairly within the general purpose of the Act.

Mr. Baker then stated that he was disposed to place no limit on the power of the Board in pursuing the authority given it and in accomplishing the objects entrusted to it except the obvious requirement that action by

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the Board should be based upon a sound exercise of the Board's discretion. He added that although the present situation could not have been explicitly in the mind of Congress when the act was passed, nevertheless, the present situation is but an extension in a new form of the evils which had existed prior to the passage of the Act; and that he has no doubt that the powers of the Board are adequate to meet the present situation by whatever remedy of the kind suggested the Board feels necessary to accomplish the result.

He then discussed with the members of the Board the question of seeking an opinion from the Attorney General of the United States on the question and stated reasons why in his opinion such action would be inadvisable at the present time. At the conclusion of the discussion, he stated that he would study the opinion rendered by Mr. Wyatt carefully and be prepared, at the request of the Board, either to join in it formally or to supplement it. He stated he would like to have it understood that if the Board arrives at a point where it feels it should take steps regarding which there is question as to its authority, he can be called to Washington over night for consultation.

At 1:20 p.m. the meeting recessed and reconvened at 3:15 p.m., the same members being present as attended the morning session, with the exception of Mr. Pole. Mr. Smead was also in attendance.

Discussion then ensued with respect to the necessity of addressing letters to the Federal Reserve Banks of Minneapolis, Kansas City and Dallas along the lines of those addressed within the last day or two to all other Federal Reserve banks.

The Committees on the respective Districts expressed the opinion that the situation in those Dis-

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districts does not require such action and, upon motion, it was voted that no letters be written to the banks named at this time.

Mr. Hamlin presented a letter dated May 2nd from the Federal Reserve Agent at Cleveland, inquiring whether there would be any objection to his accepting the Presidency of the Cleveland Association of Credit Men for the coming year.

Upon motion, it was voted to interpose no objection to Mr. DeCamp accepting the office.

The minutes of the meetings of the Federal Reserve Board held on April 30th and May 1st were read and approved.

The minutes of the meeting of the Federal Reserve Board held on May 2nd were read and approved as amended.

The Vice Governor stated that he understood that had the Secretary of the Treasury been present at the meeting on May 2nd he would have voted in favor of the increase proposed by the New York directors in the rate of that bank.

Letter dated May 1st from the Assistant Federal Reserve Agent at Philadelphia, correcting advice previously transmitted of action taken by the board of directors on that date with respect to the discount rate of the bank; the letter stating that the action should have been reported as follows:

"Our board of directors today voted to establish a re-discount rate of 6% on all classes of paper, of all maturities, effective the first business day following that on which approved by the Federal Reserve Board. This action to be held under review by the Federal Reserve Board until Friday, May 10th, and not approved unless and until a similar rate is approved for the Federal Reserve Bank of New York."

Noted.

Telegram dated May 1st from the Chairman of the Federal Reserve Bank of St. Louis, advising that the board of directors at a meeting on that date

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made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated May 2nd from the Secretary of the Federal Reserve Bank of San Francisco, advising that no quorum was present for a meeting of the board of directors on that date and consequently no change was made in the bank's existing schedule of rates of discount and purchase.

Noted.

Matter approved on initials on May 2nd, namely, application of the Chemical National Bank, New York, N. Y., for surrender of 15,000 shares of stock in the Federal Reserve Bank of New York, effective if and when the bank converts into the Chemical Bank and Trust Company.

Formally approved.

Matter approved on initials on May 2nd, namely, application of the Bank of Commerce in New York, New York, N. Y., for 3,000 additional shares of stock in the Federal Reserve Bank of New York.

Formally approved.

For the information of the Board, the Assistant Secretary read a memorandum on the credit situation unanimously adopted today by the Chamber of Commerce of the United States, now in session in its annual meeting; the memorandum containing the statement that the Chamber has confidence in the Federal Reserve System and its adaptability to new conditions and holds that the System is entitled to the utmost cooperation.

Noted.

Bond of Mr. Clifford S. Young, recently designated as Acting Assist-

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ant Federal Reserve Agent at the Federal Reserve Bank of Chicago, for a temporary period, in the amount of \$50,000.

Approved.

Letter dated April 30th from the Governor of the Federal Reserve Bank of New York, advising (1) of advances made to the Reichsbank under the usual terms and conditions on shipments to the Federal Reserve Bank of \$8,994,000 of gold bars on the steamer "Berlin" and \$6,689,000 on the steamer "Reliance"; (2) that the total amount of gold transferred to the Reichsbank in this country by the Bank of France against shipments to Paris will be increased within the next day or two to \$128,412,000; (3) that the Bank of France has repurchased or engaged to repurchase \$78,014,000 of this gold, but has advised that it will not care to repurchase any further amounts; and (4) that the total gold loss suffered by the Reichsbank since March 6th amounts to \$214,692,000.

After discussion, the information contained in the above letter was noted, that with regard to the advances made to the Reichsbank, with approval.

Letter dated April 30th from the Deputy Governor of the Federal Reserve Bank of New York, advising of a further sale of \$2,500,000 from the Open Market Investment Account, reducing the holdings in the account to \$17,500,000, exclusive of the amount temporarily taken over from the Federal Reserve Bank of St. Louis, which has been reduced to \$6,000,000 through repurchase of \$3,500,000 by the St. Louis bank; the letter also advising of an increase in the amount of acceptances held by the New York bank due to the acquisition of a block of bills which will mature within a week and which, because of their early maturity, it would be impracticable to apportion to other Reserve banks.

After discussion of the above letter, it was voted to inquire of the New York bank from whom the acceptances in question were acquired and as to the

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circumstances surrounding the transaction, which resulted in a considerable increase in the bill holdings of the Federal Reserve System in the published statement of May 2nd.

Letter dated May 1st from the Governor of the Federal Reserve Bank of New York, transmitting form of a report being requested from member banks and private bankers in New York City as to the amount of funds held in New York for foreign account; the letter stating that if the bank is successful in compiling the amount of foreign funds held in this country, they may later on broaden the scope of the inquiry to include American owned funds abroad.

During the discussion, the Vice Governor was requested to suggest to the New York bank that if it is successful in securing the information, it communicate with the Federal Reserve Banks of Boston, Philadelphia, Chicago and San Francisco, and suggest that if they are disposed to make a similar inquiry a more complete picture could be obtained.

Memorandum dated May 3rd from the Chief of the Division of Bank Operations, recommending the temporary appointment of Miss Geraldine Johnson, as Comptometer Operator in the Division for a period not exceeding three months, at a salary of \$1300 per annum, effective immediately.

Approved.

Report of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Boston and Chicago, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of April and during the period March 22nd to April 25th, respectively, where the total of such absences since January 1, 1929 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

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Letter dated May 2nd from the Federal Reserve Agent at New York, requesting approval of the designation as Assistant Federal Reserve Examiners of Messrs. Harold M. Wessel, Ralph W. Scheffer and John Brower, Jr., at present employees in the Bank Examinations Department, without change in salary at this time.

Approved.

Letter dated May 1st from the Chairman of the Federal Reserve Bank of St. Louis, advising of the appointment by the Governor of Arkansas of Mr. Hamp Williams, Director of the Little Rock Branch, as Chairman of the Special Planning Committee for the Hot Springs National Park, an honorary position without salary; the letter inquiring whether the Board considers this position as a political office within the meaning of its circular letter of April 7, 1925.

After discussion, upon motion, it was voted to interpose no objection to Mr. Williams holding the office in question while serving as director of the Little Rock Branch.

Report of Committee on District #10 on the matter referred to it at the meeting on April 23rd, namely, letter dated April 17th from the Federal Reserve Agent at Kansas City, inquiring whether the Board would have any objection to the appointment of Mr. N. R. Oberwortmann, Examiner, as Assistant Cashier of the bank with the understanding that such duties as he may be assigned as Assistant Cashier will be in addition to his duties as Examiner; the Committee, after further correspondence with the Federal Reserve Agent, recommending approval by the Board.

Upon motion, it was voted to interpose no objection to Mr. Oberwortmann's appointment as Assistant Cashier.

Report of Committee on Examinations on letter dated April 26th from the Assistant Federal Reserve Agent at Cleveland, requesting permission, without

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expense to the member banks involved, to cooperate to the extent of an investigation in examinations by the state banking department of the Depositors Savings and Trust Company of Akron, the First State Bank of Newton Falls and the Citizens Trust and Savings Bank of Columbus; the letter stating that the latter institution has several branches and it may be necessary for the Federal Reserve Bank to use more than one Examiner, and further, that in the event it is found desirable to go beyond the usual investigation actual expenses incurred will be assessed against the bank.

Upon recommendation of the Committee on Examinations, it was voted to interpose no objection to the Federal Reserve Agent sending an Examiner into the three member banks named at the time of their examination by state authorities for the purpose of obtaining certain general information, with the understanding that more than one Examiner may be used in the case of the Citizens Trust and Savings Bank of Columbus, but that if the investigation of that bank should go beyond the usual limits, the actual expenses incurred will be assessed against the bank.

Letter dated May 2nd from the Assistant Federal Reserve Agent at Cleveland, requesting permission for Examiners of that bank to go into the Brighton Bank and Trust Company and the Western Bank and Trust Company, both of Cincinnati, for an investigation at the time of their examination by the state authorities.

Upon motion, it was voted to interpose no objection to the use of one Examiner at each member bank for the purpose of making the usual investigation at the time of the state examination.

Letter dated April 30th from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors of the bank at its meeting on April 11th concurred in the recommendation of the fall Conference of Governors and Federal Reserve Agents that the Open Market Investment Committee be enlarged by placing thereon the Governor of each Federal Reserve bank not now represented.

Noted.

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The Assistant Secretary then referred to requests which have been received from several Federal Reserve banks for the temporary designation of Acting Assistant Federal Reserve Agents at their branches, for the purpose of maintaining stocks of unissued Federal Reserve notes of the new size during the turnover period. He stated that the several suggested arrangements had been discussed with Mr. James, Chairman of the Committee on Salaries and Expenditures, and were satisfactory to him.

Upon motion, they were approved as follows:

(1) Temporary designation as Acting Assistant Federal Reserve Agents at Pittsburgh and Cincinnati of an employee of each of these Branches who, over the stipulated period, will be detached from his regular bank connection and the temporary designation as alternate Acting Assistant Federal Reserve Agent of the Assistant Auditor at each Branch.

(2) Temporary designation of Mr. Charles H. Wyatt, Manager of the Baltimore Clearing House Association as Acting Assistant Federal Reserve Agent at Baltimore, with salary at the rate of \$50 per month, and of Mr. R. L. Honeycutt, Manager of the Charlotte Clearing House Association, as Acting Assistant Federal Reserve Agent at Charlotte, with salary at the rate of \$35 per month.

(3) Temporary designation as Acting Assistant Federal Reserve Agent at Detroit of an Examiner at present on the staff of the Federal Reserve Agent at Chicago.

(4) Temporary designation as Acting Assistant Federal Reserve Agent at the Houston, El Paso and San Antonio Branches of the Assistant Auditors now stationed at those Branches, who are appointees of the Federal Reserve Agent as Chairman of the Board of Directors.

(5) Temporary designation as Acting Assistant Federal Reserve Agent at Los Angeles of Mr. John F. Prah at present Examiner on the staff of the Federal Reserve Agent at San Francisco, stationed in Los Angeles.

Letter dated April 30th from the Federal Reserve Agent at Dallas, requesting an expression from the Board as to the advisability of publishing in pamphlet form, for distribution among member and eligible nonmember banks in the district, a summary of the benefits of membership in the Federal Reserve System

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prepared by Mr. W. J. Evans, Assistant Federal Reserve Agent.

Ordered circulated.

Memorandum from Mr. Hamlin dated May 1st, submitting letters, together with an analysis thereof, received from various building trade associations in Massachusetts complaining of the impossibility of securing real estate loans.

Ordered circulated.

REPORTS OF STANDING COMMITTEES:

- Dated, May 1st, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
2nd, Recommendations approved.
3rd,
- Dated, May 3rd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 1st, Recommending approval of the application of Mr. Arthur H. Wells for permission to serve at the same time as director of the Bryn Mawr State Bank, Chicago, Ill., and as director of the National Builders Bank, Chicago, Ill.
Approved.
- Dated, May 1st, Recommending approval of the application of Mr. J. W. Wakefield for permission to serve at the same time as officer of the American National Bank, Nashville, Tenn., as director of the First National Bank, Smithville, Tenn., and as director of the First National Bank, Springfield, Tenn.
Approved.

The meeting adjourned at 4:20 p.m.

C. W. McCreland
Assistant Secretary.

Approved:

Edward Platt
Vice Governor.